



PUBLIC NOTICE

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**COMMON CARRIER BUREAU ANNOUNCES RELEASE OF
HCPM VERSION 2.0**
CC Docket Nos. 96-45¹ and 97-160

In the Universal Service *Order* released May 8, 1997, the Commission, acting on the recommendation of the Federal-State Joint Board, concluded that universal service support for non-rural carriers should be determined by subtracting a benchmark revenue amount from the forward-looking economic cost of providing the supported services.¹ The Commission concluded that it should continue to review two cost models, the Hatfield Model and the Benchmark Cost Proxy Model (BCPM).² The Commission further concluded that it would select the platform design features³ of a forward-looking economic cost mechanism by the end of 1997 and select a complete mechanism, including input values, by August 1998.⁴ In a *Further Notice of Proposed Rulemaking (FNPRM)* in this proceeding,⁵ the Commission stated that it would consider a hybrid mechanism, combining the best features of both models, and might also "study alternative algorithms and approaches that could be submitted by parties other than model sponsors or that could be generated internally by Commission staff."⁶

On October 31, 1997, the Common Carrier Bureau (Bureau) released an engineering

¹ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Report and Order*, FCC 97-157 (rel. May 8, 1997) (*Order*) at paras. 199-201.

² The proponents of the Hatfield Model are AT&T and MCI. The proponents of BCPM are US West, Sprint, and BellSouth. See *Order* at Appendix J for a description of the Hatfield Model and BCPM.

³ In the context of a forward-looking economic cost mechanism, the "platform" refers to the fixed algorithms and assumptions built into a cost model, as contrasted with user-specified "inputs" into a cost model. See Federal-State Joint Board on Universal Service, Forward Looking Mechanism for High Cost Support for Non-Rural LECs, CC Docket Nos. 96-45 and 97-160, *Further Notice of Proposed Rulemaking*, FCC 97-256 (rel. Jul. 18, 1997) (*FNPRM*) at paras. 17-18.

⁴ *Order* at para. 245.

⁵ Federal State Joint Board on Universal Service, Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, CC Docket Nos. 96-45 and 97-160, *Further Notice of Proposed Rulemaking*, FCC 97-256 (rel. Jul. 18, 1997).

⁶ *FNPRM* at para. 35.

process mechanism, known as the Hybrid Cost Proxy Model (HCPM). HCPM was developed by Commission staff members William Sharkey of the Policy and Programming Planning Division and Mark Kennet of the Competitive Pricing Division, Common Carrier Bureau; C. Anthony Bush of the Competition Division, Office of the General Counsel; Jeff Prisbrey of the Policy and Rules Division, Mass Media Bureau; and Commission contractor Vaikunth Gupta of Panum Communications.⁷ The HCPM represents these individuals' views on potential approaches to customer location and outside plant design issues. It is not an official statement by the Commission or any FCC Commissioner and should not be interpreted as a Commission decision or proposed Commission decision. The HCPM software was made available for public review via the World Wide Web on October 31, 1997, and comments were received on November 26, 1997.

An updated version of HCPM, known as version 2.0, is now available. This version responds to the Bureau's general guidance to all model proponents on the proper structure for customer location and outside plant design modules,⁸ and also makes various improvements that the model developers described in the documentation with the October 31 release. Parties wishing to review the software may download it from the Bureau's World Wide Web page at http://www.fcc.gov/ccb/universal_service/welcome.html. Follow the link under the heading "Forward-Looking Cost Methodologies." Parties with substantive input regarding the updated HCPM are requested to bring their information to the Bureau's attention through *ex parte* presentations.

For further information about the HCPM, contact William Sharkey, (202) 418-2743 (wsharkey@fcc.gov).

Action by the Chief, Accounting and Audits Division, Common Carrier Bureau.

⁷ Common Carrier Bureau Makes Available Potential Modules for Determining Customer Location and Outside Plant Design in Forward-Looking Mechanism for Determining Universal Service Support for Non-Rural Carriers, *Public Notice*, DA 97-2311 (rel. Oct. 31, 1997). The algorithms and assumptions employed in the HCPM were described in public workshops that the Bureau held on September 3 and 11, 1997. See *Public Notice*, DA 97-1870 (rel. Aug. 28, 1997).

⁸ Guidance to Proponents of Cost Models in Universal Service Proceeding: Customer Location and Outside Plant, *Public Notice*, DA 97-2372 (rel. Nov. 13, 1997).